

**REPORT OF THE AUDIT OF THE
MEADE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2007**

Douglas R. Wise & Company PSC
www.wisecpa.com

**2300 Hurstbourne Village Drive, Suite 300
Louisville, KY 40299
TELEPHONE (502) 491-9457
FACSIMILE (502) 493-7231**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MEADE COUNTY SHERIFF

**For The Year Ended
December 31, 2007**

Douglas R. Wise & Company, PSC has completed the Meade County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$87,366 from the prior year, resulting in excess fees of \$19,958 as of December 31, 2007. Revenues decreased by \$41,137 from the prior year and expenditures increased by \$46,229.

Deposits:

The Sheriff's deposits as of December 31, 2007 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$2,869,514

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The Honorable Harry Craycroft, Meade County Judge/Executive
The Honorable William Kerrick, Meade County Sheriff
Members of the Meade County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Meade County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 9, 2008 on our consideration of the Meade County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Honorable Harry Craycroft, Meade County Judge/Executive
The Honorable William Kerrick, Meade County Sheriff
Members of the Meade County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Meade County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Douglas R. Wise & Company PSC". The signature is written in a cursive, flowing style.

Douglas R. Wise & Company, PSC

July 9, 2008

MEADE COUNTY
WILLIAM KERRICK, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

Federal Grants		\$	2,760
State - Kentucky Law Enforcement Foundation Program Fund			31,449
State Fees For Services:			
Finance and Administration Cabinet	\$	74,390	
Cabinet For Health & Family Services		<u>370</u>	74,760
Circuit Court Clerk:			
Fines and Fees Collected			15,545
Fiscal Court			95,810
County Clerk - Delinquent Taxes			2,773
Commission On Taxes Collected			414,080
Fees Collected For Services:			
Auto Inspections		8,996	
Accident and Police Reports		2,381	
Carrying Concealed Deadly Weapon Permits		4,970	
Forfeitures		24,345	
Mental Transport		1,775	
Reimbursements		307	
Add on Fees		57,733	
Meade County Schools DARE Reimbursement		17,000	
Serving Papers		57,770	
County Ordinance Fee		9,770	
Advertising Fees		6,920	
Drug Testing		<u>3,547</u>	195,514
Interest Earned			7,602
Borrowed Money:			
State Advancement		60,000	
Bank Note		<u>76,000</u>	<u>136,000</u>
Total Revenues			<u>976,293</u>

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 WILLIAM KERRICK, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	393,286
Kentucky Law Enforcement Foundation Program Fund		23,990

Employee Benefits-

Employer's Share Social Security	35,046
Employer's Share Retirement	5,591
Employer Paid Health Insurance	45,894

Materials and Supplies-

Office Materials and Supplies	13,583
Police Supplies	13,887
Uniforms	15,293

Auto Expense-

Gasoline	45,350
Maintenance and Repairs	22,180

Other Charges-

Contracted Administrative Services	20,050
Advertising	415
Computer Maintenance	12,334
Postage	11,668
Extradition Expense	4,929
Meals For Jurors	153
Meade County Ordinance Fee	9,770
Radio and Telephone	5,531
Training	5,317
Dues	550
Bond	487
Miscellaneous	301

Capital Outlay-

Office Equipment	2,833	
Vehicles	<u>62,275</u>	\$ 750,713

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 WILLIAM KERRICK, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Debt Service:

State Advancement	\$	60,000	
Bank Note		76,000	
Interest		<u>1,044</u>	\$ <u>137,044</u>

Total Expenditures	887,757
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Net Revenues	88,536
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Less: Statutory Maximum	<u>68,578</u>
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Excess Fees Due County for 2007	19,958
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Payments to Fiscal Court - May 2, 2008	<u>19,958</u>
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Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 0</u></u>
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MEADE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MEADE COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2007
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent for the first six months and 33.87 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Meade County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Meade County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 3, 2007, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$2,869,514

MEADE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 4. Drug Awareness Resistance Education Fund

The Former Meade County Sheriff maintained a Drug Awareness Resistance Education (D.A.R.E.) fund. This fund provided a salary for an officer to promote drug awareness and drug prevention among local youth. The D.A.R.E. fund had a balance of \$0 on January 1, 2007. Receipts for the year were \$8,641 and disbursements were \$4,452, leaving a balance of \$4,189 as of December 31, 2007.

Note 5. Forfeiture Account

The Former Meade County Sheriff maintained a Forfeiture account fund. The Forfeiture Account fund had a balance of \$0 as of January 1, 2007. Receipts for the year were \$47,799 and disbursements were \$27,050, leaving a balance of \$20,749 as of December 31, 2007.

Note 6. Bank Advances

On September 9, 2007, the Meade County Sheriff entered into a loan agreement to borrow up to \$150,000 from First Federal Savings Bank for the purpose of providing a line-of-credit. During the calendar year ended December 31, 2007, \$76,000 was drawn on this note. The note was repaid on December 4, 2007 with interest at prime less 0.375 %.

Note 7. Federal Grants

A. Blitz Grant

The Meade County Sheriff's office was awarded a Blitz Grant for traffic overtime enforcement in September 2007. During the year ended December 31, 2007, grant funds in the amount of \$1,000 were received.

B. Highway Safety Grant

The Meade County Sheriff's office was awarded a Highway Safety grant in 2007 in the amount of \$1,760. During the year ended December 31, 2007, grant funds in the amount of \$1,760 were received.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable Harry Craycroft, Meade County Judge/Executive
The Honorable William Kerrick, Meade County Sheriff
Members of the Meade County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Meade County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated July 9, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Meade County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Meade County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Meade County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Douglas R. Wise & Company PSC". The signature is written in a cursive, flowing style.

Douglas R. Wise & Company, PSC

July 9, 2008